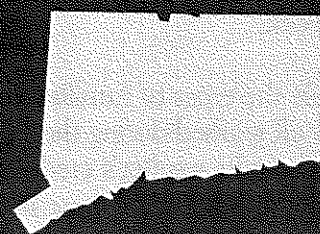


FISCAL POLICY CENTER

At Connecticut Voices for Children



Testimony Regarding Governor's S.B. 843 *An Act Concerning Revenue Items to Implement the Governor's Budget*

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Finance, Revenue, and Bonding Committee
March 4, 2013

Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams, and distinguished members of the Committee:

My name is Matt Santacroce. I am a Policy Analyst at Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth, and families. **I am here today to testify regarding Section 11 of SB 843, *An Act Concerning Revenue Items to Implement the Governor's Budget*.** This section would reduce the amount of the state Earned-Income Tax Credit (EITC) to 25 percent of a filer's federal credit amount in TY 2013, phasing it back in to its current 30 percent level by TY 2015.

As a first matter, we applaud the leadership of the Governor and of this Committee in establishing a robust state EITC two years ago. Further, the Governor's current proposal is a clear indication of his administration's continued commitment to this important policy – even in these tough budget times, the Governor proposes to restore the credit to its current level within two years. **Indeed, after the first full tax year of the state EITC's existence, the numbers are in and the story is clear: the credit is working.**

Connecticut's EITC: By the Numbers ¹	
Total Households Claiming EITC	181,620
Total Credit Amount	\$109,194,583
Average State Credit Amount	\$601
Average Filer Income	\$17,957

Last year, more than 180,000 Connecticut households – including some 200,000 children – received the credit. State EITC recipients live in each of our 169 cities and towns, urban and rural, from Willington to Weston. These households had an average income of about \$18,000, and the average credit amount – about \$600 – meant a clear

¹ Fiscal Policy Center analysis of tax year 2011 data prepared by the Connecticut Department of Revenue Services (DRS)

contribution to their overall economic security, helping to put food on the table, pay down debt, and fix a car to get to work.

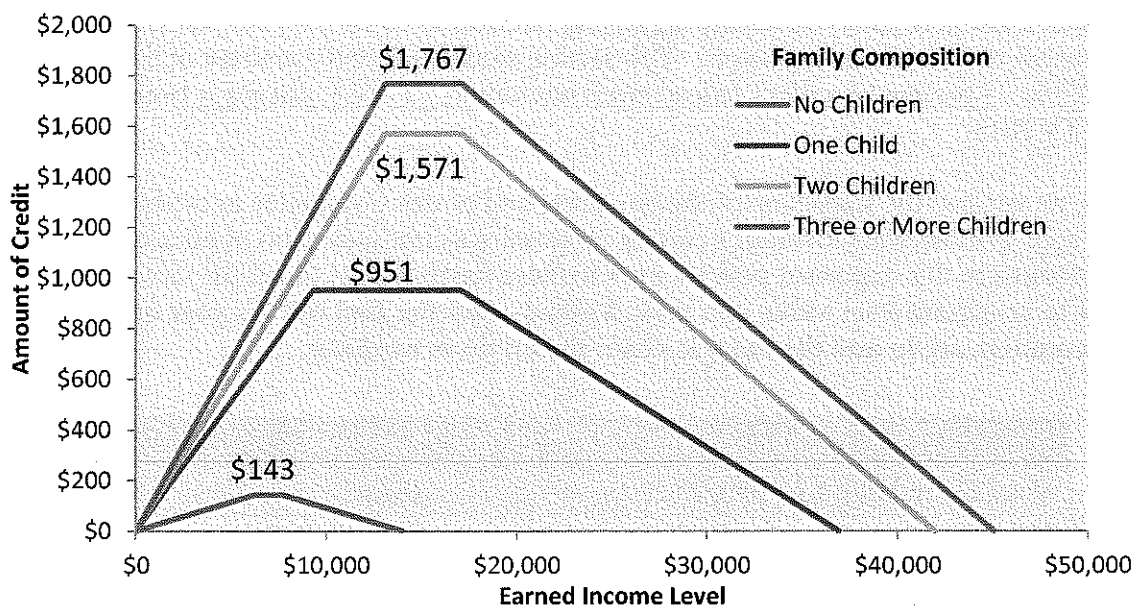
While the types of families that benefit from the state EITC are diverse, they have a single unifying characteristic: they all worked during the previous year. **The EITC can only be claimed by people who earn income through work**, and a worker's credit grows with each additional dollar of earnings (see Figure 1 below). The EITC makes work pay, and helps these families make ends meet. In 2011, the federal EITC alone kept 61,000 people in Connecticut above the poverty line (about \$18,500 for a family of three), including some 35,000 children. The credit helps those who work hard support their families – and stay out of poverty.

In addition, this is a credit that improves the fairness of our state's tax code. Even a small cut to the credit amount means higher overall taxes on the lowest-income wage-earners in Connecticut – workers who already pay more of their earnings in state and local taxes than anyone else in our state. The EITC was critical in offsetting the regressive impact of the sales tax increases contained in the FY 2012-2013 biennial budget – and since people only receive the credit if they earn income through work, these workers do pay taxes: including federal payroll, state, and local taxes.

It is critical that this committee stand firm behind a robust, fully-refundable state EITC. **We respectfully urge the committee to hold the line on the Governor's proposed temporary reduction in the credit amount** -- ensuring that the credit does not drop below 25 percent, and that the full 30 percent level is reinstated as proposed by FY 2016. The EITC makes work pay, helps families pay their bills, and keeps kids out of poverty. Ultimately, it is a relatively small investment that makes a big difference in the lives of Connecticut's working families.

Thank you for the opportunity to testify before you today. I look forward to your questions.

Figure 1: Value of Connecticut EITC, 2012



Credit amounts for single filers. Source: CT Voices analysis of Internal Revenue Service and Tax Policy Center data